



Accounting for Fiduciary Activities

Statement of Federal Financial Accounting Standards

Revised Exposure Draft

Written comments are requested by August 30, 2005

June 27, 2005

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Federal Accounting Standards Advisory Board (FASAB or "the Board") was established by the Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General in October 1990. It is responsible for promulgating accounting standards for the United States Government. These standards are recognized as generally accepted accounting principles (GAAP) for the Federal Government.

An accounting standard is typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, Federal executives, Federal program managers, and other users of Federal financial information. The proposed standard is published in an exposure draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure draft is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standard with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for Federal accounting and reporting.

Additional background information is available from the FASAB:

- "Memorandum of Understanding among the General Accounting Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board."*
- "Mission Statement: Federal Accounting Standards Advisory Board."*

Federal Accounting Standards Advisory Board

441 G Street, NW, Suite 6814

Mailstop 6K17V

Washington, DC 20548

Telephone (202) 512-7350

Fax (202) 512-7366

www.fasab.gov

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from FASAB. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



June 27, 2005

TO: HEADS OF FEDERAL AGENCIES AND ALL OTHERS WHO USE, PREPARE,
AND AUDIT FEDERAL FINANCIAL INFORMATION

The Federal Accounting Standards Advisory Board (FASAB or the Board) is requesting comments on the revised exposure draft of a proposed Statement of Federal Financial Accounting Standards entitled, *Accounting for Fiduciary Activities*. Substantive changes have been made to the original exposure draft issued on April 21, 2003.

Specific questions for your consideration appear on page 6 but you are welcome to comment on any aspect of this proposal. If you do not agree with the proposed approach, your response would be more helpful to the Board if you explain the reasons for your position and any alternative you propose. Responses are requested by August 30, 2005.

All comments received by the FASAB are considered public information. Those comments may be posted to the FASAB's website and will be included in the project's public record.

We have experienced delays in mail delivery due to increased screening procedures. Therefore, please provide your comments in electronic form. Responses in electronic form should be sent by e-mail to comesw@fasab.gov. If you are unable to provide electronic delivery, we urge you to fax the comments to (202) 512-7366. Please follow up by mailing your comments to:

Wendy M. Comes, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6K17V
441 G Street, NW, Suite 6814
Washington, DC 20548

The Board's rules of procedure provide that it may hold one or more public hearings on any exposure draft. A public hearing for the original exposure draft was held on March 4, 2004. A public hearing for this revised exposure draft has been scheduled for August 17, 2005. Notice of the time and location of the public hearing on this document will be published in the Federal Register and in the FASAB's newsletter.

David Mosso
Chairman

Executive Summary

What is the Board Proposing?

This proposed standard defines “fiduciary activities” as those Federal Government activities that relate to the collection or receipt, and the subsequent management, protection, accounting, investment and disposition of cash or other assets in which non-Federal individuals or entities (“non-Federal parties”) have an ownership interest that the Federal Government must uphold. The fiduciary relationship must be based on statutory or other legal authority and the fiduciary activity must be in furtherance of that relationship.

This proposed standard requires Federal entities to distinguish the information relating to fiduciary activities of the Federal entity from all other activities of that Federal entity. Fiduciary assets would not be recognized on the balance sheet of any Federal entity. The Federal entity would be required to include in its own audited financial statements a note disclosure providing the following information about its fiduciary activities:

- An explanation of the nature of the fiduciary relationship,
- A schedule of fiduciary net assets, and
- A schedule of fiduciary activity.

This requirement would apply even if the Federal entity issues stand-alone audited financial statements for the fiduciary activity. For entities managing several distinct fiduciary activities, disaggregated information would be required by activity.

The Financial Report of the United States Government (FR) would include a note disclosure describing the nature of the fiduciary activities of the Federal Government. The FR note disclosure would provide a list of component entities responsible for fiduciary activities and the total amount of fiduciary net assets for each responsible component entity. The FR note disclosure would refer the reader to the component entity financial statements for additional information about each component’s fiduciary activity.

Why is the Board making this proposal?

Current standards¹ do not provide a definition of fiduciary activities, or clearly differentiate them from Federal program activities. Existing standards also do not provide consistent reporting requirements; they allow fiduciary activities to be reported either on the face of the principal financial statements or in a note disclosure.

¹ Statement of Federal Financial Accounting Standards 7, paragraphs 83-87.

This standard would define fiduciary activities and establish consistent Federal financial reporting standards for fiduciary activities. In addition, by clarifying terminology, the Board hopes to avoid confusion regarding federal “trust” funds that are not “fiduciary” in nature.

How does this proposal improve Federal financial reporting?

This standard would distinguish between fiduciary activities and Federal program activity that may be designated in the budget or in reporting to the OMB or to the Treasury FMS as “fiduciary” or “trust fund.” The standard would provide definitions, consistent Federal financial reporting requirements and information to enhance users’ understanding of Federal fiduciary activities.

How does this proposal contribute to meeting the Federal financial reporting objectives?

This proposed standard addresses Objectives #2 and #3, Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*:

Objective #2 – Federal financial reporting should assist report users in evaluating the service efforts, costs, and accomplishments of the reporting entity; the manner in which these efforts and accomplishments have been financed; and the management of the entity’s assets and liabilities.

Objective #3 – Federal financial reporting should assist report users in assessing the impact on the country of the government’s operations and investments for the period and how, as a result, the government’s and the nation’s financial condition has changed and may change in the future.

By distinguishing between fiduciary activity and Federal program activity and by developing explicit reporting requirements, the standard would assist report users in evaluating the service efforts, costs, and accomplishments of the Federal reporting entity, the manner in which these efforts and accomplishments have been financed, and the management of the Federal entity’s assets and liabilities. Users would get a clearer picture of Federal program activity and would be better able to assess the impact on the country of the Government’s operations and investments for the period and its financial condition.

Table of Contents

Executive Summary	3
Request for Comments	6
Introduction	7
Accounting Standard.....	9
Definition and Characteristics of Fiduciary Activities	9
Basis of Accounting	10
Accounting and Reporting for Fiduciary Activities for Component Entities	11
Financial Report of the United States Government.....	12
Effect on Current Standards	13
Effective Date	17
Appendix A: Basis for Conclusions.....	18
Alternative Views	23
Alternative View: Principal Financial Statement Versus Note Disclosure	23
Alternative View: Reporting Requirements for the Financial Report of the U.S. Government Should be Consistent with Requirements for Component Level Entities	26
Appendix B: Glossary	28
Appendix C: Examples of Fiduciary Note Disclosure.....	32
1. Example of Fiduciary Note Disclosure for Federal Component Entity	32
2. Example of Note Disclosure for the Government-wide Financial Report	34
Appendix D: Pro Forma Transactions	35
Appendix E: List of Abbreviations.....	43

Request for Comments

1. Do you agree that the definition in paragraph 10 covers all potential fiduciary activity in which Federal entities engage? If not, please provide specific examples.
2. Do you agree that the description of payroll withholdings and garnishments is adequate? If not, please provide specific examples of activities that might or might not be classified as “payroll withholdings” or “garnishments.”
3. Do you agree that payroll withholdings and garnishments should be excluded from the fiduciary reporting requirements? (See “Exclusions,” paragraph 13, and Basis for Conclusions, paragraph 46.) If not, please explain why you disagree.
4. Do you agree that unearned revenue should be excluded from the fiduciary reporting requirements? (See “Exclusions,” paragraph 13 and Basis for Conclusions, paragraph 46.)
5. Do you agree with the financial reporting treatment of fiduciary assets and liabilities, and the inflows and outflows of fiduciary activities? See paragraphs 14 and 15-21 for the standard regarding Federal component entities; and see paragraphs 14 and 22-27 for the standard regarding the Financial Report of the United States Government. See paragraphs 36-58 in the Basis for Conclusions for the rationale.
6. Do you agree with the requirement in paragraph 17 that, with respect to certain financial information required in paragraph 16, there should be separate reporting for individual fiduciary activities and total fiduciary activity? If you do not agree, what display would you recommend?
7. Do you agree that component entities with immaterial amounts of fiduciary net assets should be aggregated in the list of component entities in the fiduciary note disclosure of the Financial Report of the U.S. Government?
8. This proposed standard rescinds the “dedicated collections” provisions of SFFAS 7 (see paragraph 32 of this Exposure Draft). Do you agree that this proposed standard, together with SFFAS 27, *Identifying and Reporting Earmarked Funds*, addresses all activities formerly classified as “dedicated collections”? If not, please provide specific examples.
9. Do you agree that the implementation date (periods beginning after September 30, 2006) is appropriate?
10. One board member disagrees with the proposal to report fiduciary activities in a footnote to an agency’s financial statements. That member believes that fiduciary activities should be reported in a standalone financial statement subject to full audit scrutiny. Do you agree with his view that a principal financial statement is needed to enhance visibility and audit scrutiny over fiduciary activities? (See Alternative View, page 23.)
11. One board member disagrees with the proposed reporting requirements for the Financial Report of the U.S. Government (FR). That member believes that differences in reporting between the FR and component Federal entities should be limited to unique or unusual reporting issues. Do you agree with his view that fiduciary activity reporting requirements for the FR should be consistent with requirements for the component entities? (See Alternative View, page 26.)

Introduction

1. This proposed standard would define **fiduciary activity**² and provide accounting and reporting guidance for fiduciary activities. Fiduciary activities should be distinguished from Federal programs designated as “trust funds” in the budget and in reporting to the Office of Management and Budget (OMB) and to the Treasury Financial Management Service (FMS). “Trust funds” included in the Federal budget are often established to carry out Federal programs, and their activity differs from the common understanding of trust **fund** activity outside of government. Most of the **revenue** received by Federal “trust funds” represents Government-owned collections “earmarked” or dedicated to finance or help to finance specific Federal programs rather than being held for the exclusive benefit of specific, identifiable **non-Federal parties**. Non-fiduciary “trust funds” are addressed by Statement of Federal Financial Accounting Standards 27, *Identifying and Reporting Earmarked Funds*. This proposed standard addresses activities that are fiduciary in nature.
2. Fiduciary activities involve **ownership interests** described in this statement (see paragraph 10). The Federal employees’ Thrift Savings Fund and the Indian tribal and individual Indian trust funds are examples of fiduciary activities.
3. In order to clarify financial reporting in general purpose Federal financial reports, this standard would define fiduciary activity and provide financial reporting guidance for fiduciary activity and for fiduciary assets and liabilities.
4. This standard would require that the terms “**fiduciary**,” “**fiduciary assets**,” “fiduciary fund,” and “fiduciary activity” be used in Federal general purpose financial statements to characterize only fiduciary activity as defined in this standard. Non-fiduciary “trust fund” assets and activity related thereto would not be characterized as “fiduciary” or “trust” activity in general purpose financial reports of **Federal entities**. Such reporting would obscure an essential fact: that the Federal Government uses the non-fiduciary assets in support of its programs.
5. This standard would require that Federal entities disclose fiduciary assets, liabilities and flows in a note **disclosure**. Fiduciary assets and liabilities would not be recognized on the balance sheet of the Federal entity.
6. This standard would also clarify the definition and reporting for fiduciary cash that is on deposit in the U.S. Treasury. Fiduciary cash deposits are referred to as **Fiduciary Fund Balance with Treasury** (Fiduciary FBWT). This deposit activity is not fully addressed in Statement of Federal Financial Accounting Standards 1, *Accounting for Selected Assets and Liabilities*. SFFAS 1 explains that “in some circumstances, the entity deposits cash in its accounts in a fiduciary capacity for

² Words first appearing in **boldface** are defined in Appendix B: Glossary

the U.S. Treasury other entities.”³ However, some unique aspects of Fiduciary FBWT are not included in SFFAS 1. For example, SFFAS 1 defines FBWT as “the aggregate amount of funds in the entity’s accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities.” SFFAS 1 further explains that “Fund Balance with Treasury is an intragovernmental item.” However, fiduciary FBWT is not an intragovernmental item; the owner of fiduciary FBWT is a non-Federal party. This standard would amend SFFAS 1 to distinguish fiduciary FBWT from Federal component entities’ FBWT.

7. Numerous “fund groups”⁴ are used in reporting to the Treasury FMS and the OMB. For example, “**deposit funds**” may be used for monies that do not belong to the Federal Government. Regardless of how a fund group may be classified in reporting to the Treasury FMS or to the OMB, only those activities that meet the definition of fiduciary activity promulgated in this standard would be subject to the reporting requirements of this standard. Activities that do not meet the definition of fiduciary activities promulgated in this standard would not be subject to the reporting requirements of this standard. Deposit funds that do not meet the definition of fiduciary activities, and therefore are not disclosed in the fiduciary note disclosure, would be recognized in the principal financial statements.

Scope

8. This statement would provide financial reporting standards for fiduciary activities in the general purpose financial statements for Federal entities. The standard would not affect reporting in the *Budget of the United States* or special-purpose reports.

Effective Date

9. This standard would be effective for periods beginning after September 30, 2006. In the initial year of implementation, comparative information would not be restated. Earlier adoption would be prohibited.

³ SFFAS 1, paragraph 29.

⁴ For a description of “fund groups” used in reporting to the Treasury FMS and the OMB, see the Treasury Financial Manual, Part 2, Chapter 1500.

Accounting Standard

Definition and Characteristics of Fiduciary Activities

Definition

10. In a fiduciary activity a Federal entity collects or receives and subsequently manages, protects, accounts for, invests, and/or disposes of cash or other assets in which **non-Federal individuals or entities** (or “non-Federal parties”) have an ownership interest that the Federal Government must uphold. Non-Federal parties must have an ownership interest in cash or other assets held by the Federal entity under provision of law, regulation, or other fiduciary arrangement. The ownership interest must be enforceable against the Federal Government. Judicial remedies must be available for the breach of the fiduciary obligation.

Characteristics

11. Fiduciary activities are initiated by **fiduciary collections**. Fiduciary collections are an inflow to a Federal entity of cash or other assets that are and remain the property of non-Federal parties.
12. Fiduciary activities may involve a variety of fiduciary assets, liabilities and transactions. Examples include but are not limited to:

Cash:

Fiduciary cash may be held in a variety of ways. Cash may be represented by balances on deposit with the U.S. Treasury⁵ or commercial banks.

Investments:

Fiduciary assets may include investments in Treasury securities or in non-Treasury securities.

Other Assets:

Fiduciary assets may include assets other than cash, e.g., real or personal property held temporarily pending disposition, or held long-term in a fiduciary capacity.

Liabilities:

A fiduciary activity may include expenses that will be paid with fiduciary assets. This may result in fiduciary liabilities that will be settled with fiduciary assets.

⁵ The U.S. Treasury is in the Treasury Department, which is the primary fiscal agent for the Federal Government. The Treasury Department collects money due to the United States, makes payments, manages borrowings, performs central accounting functions, and produces coins and currency sufficient to meet demand. The Treasury Department manages the Government's daily cash position and borrowing as well as the investment of funds in its custody. The Treasury Department provides Central Accounting System (CAS) services to Federal agencies. CAS transactions involve appropriation credits, transfers-in and -out, collections, disbursements and related adjustments. Such transactions increase or decrease Federal entities' **Fund Balance with Treasury** (FBWT) maintained with the Treasury Department.

Revenue and other inflows:

A fiduciary activity may include collections of cash or other assets that represent contributions from beneficiaries or revenue derived from fiduciary assets.

Expenses and Distributions to Beneficiaries:

A fiduciary activity may include expenses that will be paid with fiduciary assets and distributions of assets to the beneficiaries.

Exclusions

13. The following are excluded from the reporting requirements for fiduciary activities, and should be recognized in the principal financial statements of the Federal component entity and not in the fiduciary note disclosure:

- Amounts related to unpaid⁶ **payroll withholdings** and **garnishments**⁷ are excluded from the reporting requirements of this standard. Liabilities for unpaid payroll withholdings and garnishments should be recognized as accounts payable in accordance with existing standards.⁸
- **Unearned revenue** should not be reported as fiduciary activity and should be recognized as a liability in accordance with existing standards.⁹ Assets collected or received by a federal entity that represents prepayments or advance payments for which the Federal component entity is expected to provide goods or services should not be classified as fiduciary activity.

Basis of Accounting

14. Fiduciary activities reported in the Federal entity's notes to the financial statements, as required in paragraphs 15-21, should be disclosed in the required schedules and measured using the standards provided in generally accepted accounting principles applicable to the Federal Government.¹⁰

⁶ "Unpaid" means that amounts withheld or garnished have not been paid to the designated recipient of the amounts withheld or garnished.

⁷ Examples of garnishments include amounts withheld from an individual's salary or tax refund for payments of child support or to another third party in compliance with a statute or court order.

⁸ See SFFAS 1, *Accounting for Selected Assets and Liabilities*, paragraphs 74-86.

⁹ See SFFAS 1, paragraph 85 and SFFAS 7, *Accounting for Revenue and Other Financing Sources*, paragraph 37.

¹⁰ For the definition of generally accepted accounting principles applicable to the Federal Government, see the American Institute of Certified Public Accountants *Professional Standards, U.S. Auditing Standards (AU)* Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles."

Accounting and Reporting for Fiduciary Activities for Component Entities

Reporting of Fiduciary Activities

15. Reporting on fiduciary activities is required in two notes to the financial statements. The note disclosing significant accounting policies¹¹ should include, at a minimum, a statement that: “Fiduciary assets are not assets of the *[Federal component entity]* and are not recognized on the balance sheet. See Note xx, Fiduciary Activities.”
16. A separate note to the financial statements should include the following information for individual fiduciary activities:
- A description of the fiduciary relationship, e.g., the applicable legal authority, the objectives of the fiduciary activity, and a general description of the beneficial owners or class of owners.
 - A Schedule of Fiduciary Activity displaying, for all periods presented:
 - The beginning balance of net assets,
 - The inflows from the fiduciary activities by category (e.g., contributions, investment earnings) and outflows by category (e.g., benefit payments, refunds, administrative expenses),
 - The change in net assets, and
 - The ending balance of net assets.
 - A Schedule of Fiduciary Net Assets displaying the current and prior period ending balances of cash and any other assets by category (e.g., receivables, investments), and liabilities by category (e.g., accounts payable, refunds payable), and an analysis of changes from the prior period. The disclosure for non-monetary fiduciary assets should include a description of the composition of the assets, the method(s) of valuation, and changes (if any) from prior period accounting methods.
 - Component entities may also have **non-valued fiduciary assets**. Non-valued fiduciary assets are fiduciary assets for which required disclosure does not include dollar values. Non-valued fiduciary assets may include fiduciary **heritage assets**, land held in trust, or **non-valued seized property**.¹² Component entities holding non-valued fiduciary assets should disclose them in a Schedule of Changes in Non-Valued Fiduciary Assets, which should include a description of non-valued fiduciary assets, beginning balances, quantity received, quantity disposed of, net increase/decrease in non-valued fiduciary assets, and ending balances. Non-valued fiduciary assets should be classified and disclosed in accordance with generally accepted accounting principles applicable to the Federal Government.

¹¹ A note disclosing “Significant Accounting Policies” is a requirement of the Office of Management and Budget (OMB). This disclosure is currently listed as Note 1 in “Form and Content of Agency Financial Statements” issued as Bulletin 01-09.

¹² Disclosure for non-valued seized property is addressed in FASAB Technical Release 4, *Reporting on Non-Valued Seized and Forfeited Property*.

17. Most fiduciary activities are disclosed by the Federal component entity responsible for administering the fiduciary activity on behalf of the beneficiaries. If more than one Federal component entity is responsible for administering a fiduciary activity, and the separate portions of the activity can be clearly identified with a responsible component entity, then each component entity should disclose its portion in accordance with the requirements of this standard. If separate portions cannot be identified, the component entity with program management responsibility should disclose the fiduciary activity.¹³
18. For component entities with several distinct fiduciary activities, summary financial information required in paragraph 16 should be provided for each fiduciary activity presented individually. Information for fiduciary activities not presented individually (see paragraph 19) may be aggregated.
19. Selecting fiduciary activities to be presented individually requires judgment. The preparer should consider both quantitative and qualitative criteria. Acceptable criteria include but are not limited to: quantitative factors such as the percentage of the reporting entity's fiduciary net assets or inflows; and qualitative factors such as whether a fiduciary activity is of immediate concern to **beneficiaries**, whether it is politically sensitive or controversial, whether it is accumulating large balances, or whether the information provided in the fiduciary note disclosure would be the primary source of financial information for the public.
20. In the initial year of implementation, prior year information should not be displayed. In the reporting periods following the initial year of implementation, prior period amounts should be displayed.
21. Notes to the financial statements are an integral part of the basic financial statements, essential for complete and fair presentation in conformity with generally accepted accounting principles for the Federal Government.

Financial Report of the United States Government

22. Reporting on fiduciary activities is required in two notes to the financial statements. The note disclosing significant accounting policies¹⁴ should include, at a minimum, a statement that: "Fiduciary assets are not assets of the Federal Government and are not recognized on the balance sheet of the U.S. Government. See Note xx, Fiduciary Activities."

¹³ To determine program management responsibility, Federal component entities should consider the legislation authorizing the activity; the Memorandum of Understanding that establishes responsibilities; and the provisions of SFFAC 2, *Entity and Display*.

¹⁴ A note disclosing "Significant Accounting Policies" is a requirement of the Office of Management and Budget (OMB). This disclosure is currently listed as Note 1 in "Form and Content of Agency Financial Statements" issued as Bulletin 01-09.

23. In the consolidation process, a distinction must be made between Federal component entities' Fund Balance with Treasury (FBWT) recognized on the balance sheet at the component entity level and the FBWT attributable to fiduciary activities (fiduciary FBWT) reported by Federal component entities in a note disclosure. The liability for fiduciary cash held as FBWT should be recognized as a liability on the Government-wide balance sheet. The liability for fiduciary investments in Treasury securities should be recognized on the Government-wide balance sheet as debt held by the public.
24. The fiduciary note disclosure should include a definition of fiduciary activities, a description of the nature of the Federal Government's fiduciary activities, a list of component entities responsible for fiduciary assets, and the total amount of fiduciary net assets for each responsible component entity. Aggregation of component entities with immaterial amounts of fiduciary net assets is permitted.
25. In the initial year of implementation, prior year information should not be displayed. In the reporting periods following the initial year of implementation, prior period amounts should be displayed.
26. The note disclosure should refer the reader to component entity financial statements for additional information.
27. Notes to the financial statements are an integral part of the basic financial statements, essential for complete and fair presentation in conformity with generally accepted accounting principles for the Federal Government.

Effect on Current Standards

28. This standard affects current standards for reporting non-entity assets. Paragraphs 26 and 29 of SFFAS 1, *Accounting for Selected Assets and Liabilities*, are amended as follows:

[26] Both entity assets and non-entity assets under an entity's custody or management should be reported in the entity's financial statements, **except for non-entity assets meeting the definition of fiduciary assets, which should not be recognized on the balance sheet, but should be disclosed in accordance with the provisions of SFFAS xx, Accounting for Fiduciary Activities.** Non-entity assets reported in **recognized on an entity's financial statements balance sheet** should be segregated from entity assets. An amount equal to non-entity assets **recognized on the balance sheet** should be recognized as a liability (due to Treasury or other entities) ~~in the entity's financial statements.~~

[29] ***Non-entity cash.*** Non-entity cash is cash that a federal entity collects and holds on behalf of the U.S. Government or other entities. In some circumstances, the entity deposits cash in its accounts in a

~~fiduciary~~ **custodial** capacity for the U.S. Treasury or other **federal component** entities, **or in a fiduciary capacity for nonfederal parties.**

(a) Non-entity cash recognized on the balance sheet should be reported separately from entity cash.

(b) Non-entity cash meeting the definition of a fiduciary asset should not be recognized on the balance sheet, but should be disclosed in accordance with the provisions of SFFAS xx, Accounting for Fiduciary Activities.

29. This standard affects current standards that define Fund Balance with Treasury. Paragraph 31 of SFFAS 1 is amended as follows:

[31] A federal entity's fund balance with the Treasury (**FBWT**) is the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. ~~Fund balance with Treasury~~**FBWT** is an intragovernmental item, **except for fiduciary or other non-Federal non-entity FBWT.** From the reporting entity's perspective, **the reporting entity's** ~~a fund balance with Treasury~~**FBWT** is an asset because it represents the entity's claim to the federal government's resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other entities, it is not a liability. **In contrast, fiduciary and other non-federal non-entity FBWT is not intragovernmental, and it represents a liability of the appropriate Treasury component and of the federal government as a whole to the non-federal beneficiary.**

30. Paragraphs 37 and 38 of SFFAS 1 are amended, and a new paragraph is added, as follows:

[37] Disclosure should be made to distinguish ~~two~~**three** categories of funds within ~~the entity's fund balance with Treasury~~**FBWT reported on the entity's balance sheet**: the obligated balance not yet disbursed, ~~and the unobligated balance,~~**and non-budgetary FBWT.** The obligated balance not yet disbursed is the amount of funds against which budgetary obligations have been incurred, but disbursements have not been made.

[38] The unobligated balance is the amount of funds available to an entity against which no claims have been recorded. Unobligated balances are generally available to a federal entity for specific purposes stipulated by law. Unobligated balances may also include balances in expired/canceled accounts that are available only for approved adjustments to prior obligations. Certain unobligated balances may be restricted to future use and are not apportioned for current use. Disclosure should be provided on such restrictions. **Non-budgetary**

FBWT includes unavailable receipt accounts, clearing accounts and other accounts that do not represent budget authority, as well as non-entity FBWT that is recognized on the balance sheet.

[New Paragraph] In addition to entity and non-entity FBWT that is recognized on the balance sheet, a federal entity may also administer fiduciary FBWT on behalf of non-federal entities or individuals. Fiduciary FBWT is not recognized on the balance sheet, but is subject to separate disclosure requirements. For disclosure requirements for fiduciary FBWT, see SFFAS , *Fiduciary Activities*.

31. This standard changes the requirements of SFFAS 3, *Accounting for Inventory and Related Property*, paragraphs 61 and 69, regarding seized and forfeited monetary instruments as follows:

[61] Seized monetary instruments shall be ~~recognized~~ **disclosed when seized.** ~~In addition, a liability shall be established in an amount equal to the seized asset value. Seized monetary instruments are recognized upon seizure due to (1) the fungible nature of monetary instruments and (2) the high level of control over the assets that is necessary.~~

[69] Monetary instruments shall be reclassified from seized monetary instruments **disclosed in the notes to the financial statements** to forfeited monetary instruments **recognized on the balance sheet** when forfeited. Monetary instruments shall be valued at their market value when a forfeiture judgment is obtained. When the asset is recorded, revenue shall be recognized in an amount equal to the value of the monetary instrument ~~and the associated liability for possible remittance shall be removed~~

32. This standard affects current standards dealing with fiduciary activity and fiduciary relationships in SFFAS 7, *Accounting for Revenue and Other Financing Sources*. Paragraphs 83-87 and 370 of SFFAS 7 are rescinded. In addition, paragraphs 142 and 276 of SFFAS 7 are amended as follows:

[142] MMS collects this revenue acting as an agent for the recipients designated by law: the Treasury, certain entities within the Government to which amounts are earmarked, the states, and Indian tribes and allottees. ~~Therefore, MMS should account for the exchange revenue~~ **it collects as an agent for the U.S. Treasury or other Federal component entities** as a custodial activity, which is an amount collected ~~or to be collected~~ for others **Federal entities**, in the same way as the Internal Revenue Service accounts for the nonexchange revenue that it collects. **MMS collection activity for non-federal entities may meet the definition of fiduciary activity and, if so, should be accounting for in accordance with the**

requirements of SFFAS xx, Accounting for Fiduciary Activities.

Because the revenue collected by MMS is exchange revenue, it should be recognized and measured under the exchange revenue standards when the rents, royalties, and bonuses are due pursuant to the contractual agreements.

~~[276] MMS should instead account for the exchange revenue as a custodial activity. MMS collects rents, royalties, and bonuses acting as an agent on behalf of the recipients designated by law: the General Fund, certain entities within the Government to which amounts are earmarked, the states, and Indian tribes and Allottees.~~ **MMS collection activity for non-federal entities may meet the definition of fiduciary activity and, if so, should be accounting for in accordance with the requirements of SFFAS xx, Accounting for Fiduciary Activities.** The amounts of revenue should be recognized and measured under the exchange revenue standards when they are due pursuant to the contractual agreement.

33. This standard also amends paragraphs 84 and 102 of SFFAC 2, *Entity and Display*, as follows:

[84] The elements most likely to be presented in the balance sheet of a Federal suborganization/organization, program, or the entire government would be as follows:

- **Fund Balance with Treasury.** This represents the amount in the entity's accounts with the U.S. Treasury that is available only for the purpose for which the funds were appropriated. It ~~would~~**may** also include balances held by the entity in the capacity of a banker or agent for others. **However, Fund Balance with Treasury (FBWT) meeting the definition of fiduciary FBWT should not be recognized on the balance sheet, but should be disclosed in accordance with the provisions of SFFAS xx, Accounting for Fiduciary Activities.** ~~This classification would not be included in the financial statements of the U.S. Government.)~~

[102] Custodial collections do not include deposit funds, i.e., amounts held temporarily by the government (e.g., bidders' earnest money or guarantees for performance) or amounts held by the Government as an agent for others; (e.g., state income taxes withheld from Federal employees' salaries that are to be transferred to the states-). ~~Both of these types of collections can be considered assets and liabilities until they are returned to the depositor or forwarded to the organization entitled to the funds.~~ **should be reported in accordance with the provisions of SFFAS __, Accounting for Fiduciary Activities.**

34. Interpretation No. 1, *Reporting on Indian Trust Funds in General Purpose Financial Reports of the Department of the Interior and in the Consolidated Financial Statements of the United States Government: An Interpretation of SFFAS 7*, is rescinded.

Effective Date

35. This standard is effective for periods beginning after September 30, 2006. In the initial year of implementation, comparative information should not be restated. Earlier adoption is prohibited.

The provisions of this statement need not be applied to immaterial items.

Appendix A: Basis for Conclusions

This appendix summarizes some of the considerations deemed significant by the Board in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual Board members gave greater weight to some factors than to others.

Identifying Fiduciary Activity

36. The objective of this standard is to provide a definition of fiduciary activities and financial reporting guidance for fiduciary activities that differentiates fiduciary activity from Federal program activity. In many cases a Federal program activity may employ resources that are dedicated to a specific program and accounted for in accounts designated by law as “trust funds.” This has resulted in a lack of clarity about how such “trust fund” activity differs from fiduciary “trust fund” activity as commonly understood outside government, about the linkage between “trust fund” activity and Federal program expenditures, and the relationship between “trust fund” accounting and the Federal Government’s overall financial condition.
37. “Trust funds” included in the Federal budget often are not of a fiduciary nature and are used in Federal financing in a way that differs from the common understanding of trust funds outside of the Federal Government.¹⁵

Current Accounting Standards Need Clarification

38. The proposed standard is intended to provide a definition and consistent reporting requirements for fiduciary activities.
39. Where material (to either the reporting entity, the beneficiaries, or contributors), SFFAS 7 requires special accountability disclosures for “dedicated collections,” which included:
- a. Funds classified within the budget as trust funds.
 - b. Funds classified within the budget as “special funds” but that are similar in nature to trust funds.
 - c. Funds (inside or outside the budget) of a fiduciary nature.¹⁶
- Under SFFAS 7, management was to use its judgment to identify funds in categories b and c.
40. SFFAS 7 requires the following special accountability information, at a minimum, for individual funds that account for dedicated collections.
- a. A description of each fund.
 - b. The sources of revenue.
 - c. Condensed information about assets and liabilities.
 - d. Condensed information on net cost and changes to fund balance.

¹⁵ See SFFAC 2, *Entity and Display*, par. 17-21, and the *Budget of the U.S. Government, FY 2006, Analytical Perspectives*, Chapter 22, “Trust Funds and Federal Funds,” page 372, and SFFAS 27, *Identifying and Reporting Earmarked Funds*.

¹⁶ SFFAS 7, par. 83.

- e. Any revenues, **other financing sources**, or costs attributable to the fund under accounting standards, but not legally allowable as credits or charges to the fund.¹⁷
41. SFFAS 7 requires that the special accountability information be recognized on the face of the Federal entity's general purpose financial statements or disclosed in the notes to the financial statements. When not material to the reporting entity, the information could be provided separately in special reports to the contributors and beneficiaries (or their representatives), rather than separately in the reporting entity's statements or notes to the financial statements.¹⁸ When reported separately, the condensed financial information required in (c) and (d) above (see paragraph 40) is to be combined for all such funds and included in the notes to the financial statements described as "amounts for immaterial funds not presented separately in this general purpose report."¹⁹
42. In addition, FASAB Interpretation No. 1 states that the assets, liabilities, etc., related to the Indian trust funds should not be included in the Department of the Interior's financial statements, but that the special accountability disclosure requirements do apply to Indian trust funds. Thus, even though at the time of the Interpretation most Indian money was on-budget – generally a conclusive criterion for entity determination – recognition in the principal financial statements was not required.
43. Current standards do not provide a definition of fiduciary activities, or clearly differentiate them from Federal program activities. Existing standards also do not provide consistent reporting requirements; they allow fiduciary activities to be reported either on the face of the principal financial statements or in a note disclosure. The proposed standard is intended to provide a definition and consistent reporting requirements throughout the Federal government for fiduciary activities.

New Standards

Definition of Fiduciary Activity

44. In a fiduciary activity:
- a. A Federal entity collects or receives, manages, protects, accounts for, invests, and/or disposes of cash or other assets in which non-Federal parties have an ownership interest that the Federal Government must uphold.
 - b. The fiduciary relationship is based on statutory or other legal authority.²⁰
 - c. The non-Federal party's interest is enforceable.

¹⁷ SFFAS 7, par. 85.

¹⁸ SFFAS 7, par. 84.

¹⁹ SFFAS 7, par. 85.

²⁰ For a discussion on the authority of Government agents to enter into fiduciary arrangements, see GAO, *Principles of Federal Appropriations Law, Second Edition*, vol. IV, page 17-285.

45. In “fiduciary activity” as defined in this standard, there must be a fiduciary relationship between a Federal entity and a non-Federal individual or entity, and the available remedies for the breach of fiduciary obligations must be judicially enforceable. For example, in United States v. Mitchell²¹, the U.S. Supreme Court found that the U.S. Government had a fiduciary responsibility to the Indian beneficiaries and was responsible for monetary damages for mismanagement of assets held in trust:

*“a fiduciary relationship necessarily arises when the Government assumes such elaborate control over forests and property belonging to Indians. All of the necessary elements of a common-law trust are present: a trustee (the United States), a beneficiary (the Indian Allottees), and a trust corpus (Indian timber, lands, and funds).”*²²

Exclusions

46. The standard excludes payroll withholding and garnishments. Payroll is an element of the Government’s cost of operations. A Federal component entity may utilize a deposit fund to temporarily hold amounts payable to state or local governments or other entities for taxes withheld or amounts garnished. Although deposit funds are “non-entity” funds (not government-owned), the substance of the transaction is that the amounts are still payable to the ultimate payee. Amounts payable for goods or services received by a Federal component entity should be recognized on the balance sheet, and should not be omitted from the balance sheet and disclosed as “fiduciary activity.” The standard also excludes unearned revenue for similar reasons.

Reporting Standards

47. The Board discussed the implications of recognizing fiduciary assets on the balance sheet or on a separate principal statement. The Board considered whether recognizing fiduciary assets on the balance sheet might imply not only managerial control over the assets, but also that the benefit of the assets accrue to the federal component entity. The Board decided that fiduciary assets should not be recognized on the balance sheet of the federal component entity because they are not assets of either the federal component entity or the Federal Government as a whole. The Board considered whether fiduciary activity should be recognized in a separate principal financial statement, but decided that a note disclosure would be preferable, provided that the note disclosure contains adequate information regarding fiduciary assets and activities.
48. The Board proposes standards for Federal component entities - those entities directly involved in fiduciary activities - and the consolidated financial report of the U.S. government. For the component entity, fiduciary activities are to be disclosed by the entity in the notes to the principal financial statements. The proposed

²¹ Ibid, pages 17-275 through 17-277.

standard prohibits recognition of fiduciary assets on the balance sheet of the Federal component entity.

49. It is important to note that a fiduciary activity may include transactions with Federal component entities. These transactions are accounted for by the Federal entities as any other transactions with non-Federal parties would be. For example, the fiduciary activity may reimburse the Federal component entity for services provided. Thus, a Federal component entity may recognize revenue and a related receivable arising from the fiduciary activity.
50. In addition, the fiduciary activity may include deposits of cash with the U.S. Treasury. This deposit of cash results in Fiduciary Fund Balance with Treasury or Fiduciary Investments in Treasury Securities. As a result, the Federal component entity should disclose Fiduciary Fund Balance with Treasury or Fiduciary Investments in Treasury Securities. Further, as a result of the deposit, cash held by the U.S. Treasury increases. Cash is fungible, and there are no non-Federal ownership interests in cash in the U.S. Treasury. Accordingly, the appropriate Treasury component entity (e.g., Bureau of Public Debt) and the U.S. Government as a whole should recognize the cash as an asset and a liability representing the claim to Fiduciary Fund Balance with Treasury or Fiduciary Investments in Treasury securities. This is equivalent to the treatment afforded deposits in commercial banks made by trust departments on behalf of clients.
51. The proposed standards include a requirement that all Fund Balance with Treasury and Investments in Treasury Securities held as fiduciary assets result in a liability on the balance sheet of the U.S. Government. This provision does not alter existing standards regarding liability recognition; it serves as a reminder that the liability is not to be eliminated in consolidation. Generally, Fund Balance with Treasury and Investments in Treasury Securities held by component entities would be eliminated in consolidation. Thus, a distinction is required between FBWT and Investments in Treasury Securities being held by a Federal component entity versus being held as fiduciary assets by a Federal component entity. The illustration in Appendix D demonstrates one possible approach to accounting for fiduciary activities and accomplishing the eliminations.

Custodial Activity Differs from Fiduciary Activity

52. The Statement of Custodial Activity is not amended by this standard. The Statement of Custodial Activity is appropriate for custodial collections, which are amounts collected by one Federal component entity on behalf of another Federal component entity and associated with that other entity in the Federal budget. For example, the Internal Revenue Service (IRS) and the Bureau of Customs and Border Protection (Customs) make collections of income taxes and customs duties, respectively, and they are deposited into designated accounts of the

²² United States v. Mitchell, 463 U.S. 206 (1983), cited in GAO Appropriations Law, Volume IV, page 17-276.

Treasury, which are unavailable to either for use in their operations.²³ The IRS and Customs would report such collections on a Statement of Custodial Activity and the responsible program entity would recognize revenue and the related assets. Thus, the Statement of Custodial Activity is appropriate for those Federal component entities whose primary mission is collecting taxes or other Federal revenues, particularly sovereign revenues that are intended to finance the entire Government's operation, or at least the programs of other Federal component entities, rather than their own activities.²⁴ Guidance with respect to the Statement of Custodial Activity is provided in Statement of Federal Financial Accounting Concepts (SFFAC) 2 and SFFAS 7.

53. Reporting requirements for fiduciary activities are different from reporting requirements for custodial activities. Although the inflows and assets reported on the Statement of Custodial Activity are not inflows or assets of the Federal component entity, they are inflows and assets of the Federal Government as a whole. In contrast, fiduciary inflows and assets are not inflows of net assets to the Federal Government. Accordingly, fiduciary activities are disclosed in a note and are not recognized in a principal financial statement.

54. Because fiduciary assets are not recognized on the balance sheet of the reporting entity, there is no offsetting liability, as there is for custodial assets. The fiduciary note discloses the beneficiaries' equity as "fiduciary net assets."

Effective Date

55. This standard requires that fiduciary assets and liabilities be disclosed in a note, and should not be recognized on the face of the balance sheet. In order to facilitate the preparation of the Financial Report of the U.S. Government, a uniform implementation date for all Federal component entities is necessary. Accordingly, early implementation of this standard is prohibited, and Federal component entities should not restate prior periods in the initial year of implementation.

Effect on Existing Standards

56. The Board promulgates standards for activities that are defined by specific characteristics, and not by how an activity may be labeled in the budget or reported to the Treasury Financial Management Service. Paragraph 370 of SFFAS 7 addressed the group of funds designated as "deposit funds" as follows:

[370] Deposit funds are accounts outside the budget that record amounts that the Government (a) holds temporarily until ownership is determined or (b) holds as an agent for others. The standards and guidance in this Statement do not

²³ Implementation Guide to Statement of Financing in Statement of Federal Financial Accounting Standards 7, *Accounting for Revenue and Other Financing Sources*: Detailed Information on the Statement of Financing, par. 25.

²⁴ SFFAC 2, par. 101.

apply to deposit funds except insofar as a particular deposit fund may be classified as part of a Federal reporting entity or a disclosure may be required due to a fiduciary relationship on the part of a Federal reporting entity toward a deposit fund.

57. The Board decided that this paragraph was not sufficiently clear that all deposit funds that are not disclosed in the fiduciary note should be recognized in the principal financial statements of the Federal component entity. Accordingly, paragraph 370 of SFFAS 7 is rescinded by this standard and an explanatory sentence was added to paragraph 7 in the introduction section of this standard. All deposit funds that do not meet the definition of fiduciary activities and therefore are not disclosed in the fiduciary note must be recognized on the face of the financial statements.
58. Together with SFFAS 27, *Identifying and Reporting Earmarked Funds*, this proposed standard now addresses all “dedicated collections” as described in paragraphs 83-87 of SFFAS 7. Accordingly, paragraphs 83-87 of SFFAS 7 are rescinded by this standard.

Alternative Views

59. Individual members sometimes choose to express an alternative view when they disagree with the Board’s majority position on one or more points in a proposed standard. The alternative view would discuss the precise point or points of disagreement with the majority position and the reasons therefore. The ideas, opinions and statements presented in the alternative view are those of the individual member alone. However, the individual member’s view may contain general or other statements that may not conflict with the majority position, and in fact may be shared by other members. The material following was prepared by individual Board members, and is presented as two alternative views.

Alternative View: Principal Financial Statement Versus Note Disclosure

60. The following alternative view was prepared by David Mosso, chairman of the FASAB Board.
61. I disagree with the proposal to report fiduciary activities in a footnote to an agency’s financial statements. I believe that fiduciary activities should be reported in a standalone financial statement subject to full audit scrutiny.
62. Many fiduciary activities are unusually susceptible to fraud, waste and abuse because they are not in the mainstream of agency operations. Fiduciary assets are not useable in agency operations and are not subject to normal budgetary and management controls. That makes it especially important that fiduciary activities be given a high level of visibility and audit scrutiny in their own right and not be buried in a mass of agency operating detail.

63. Notes to financial statements are an integral part of the financial statements and subject to full audit. However, individual notes usually do not rise to a level of materiality that would cause a qualification of an auditor's opinion on the financial statements taken as a whole even if a note was materially deficient. This would be equally true of an audit opinion on an agency's internal control system. Thus, inappropriate conduct of fiduciary activities could easily be undetected or unreported to users of financial statements.
64. One possible format for a principal financial statement for fiduciary activities is displayed on the following page.

EXAMPLE: SCHEDULE OF FIDUCIARY ACTIVITY

SCHEDULE OF FIDUCIARY ACTIVITY
For the period ended September 30, XXXX

Fiduciary Net Assets as of September 30, XXXX**FIDUCIARY ASSETS**

Cash and investments	\$ XX
Cash held as Fund Balance with Treasury	XX
Cash held outside of the U.S. Treasury	XX
Investments in Treasury securities	XX
Investments in non-Federal securities	XX
Seized monetary assets	
Other assets	
Other fiduciary assets	<u>XX</u>

TOTAL FIDUCIARY ASSETS	\$ <u>XXXX</u>
-------------------------------	-----------------------

LESS: FIDUCIARY LIABILITIES

Accounts Payable	\$ <u>XX</u>
------------------	--------------

NET FIDUCIARY ASSETS	\$ <u>XXXX</u>
-----------------------------	-----------------------

Increase (Decrease) in Net Assets for the period ended September 30, XXXX**COLLECTIONS:**

Collected from beneficiaries	\$ XX
Interest and other revenues from fiduciary assets	XX
Other fiduciary receipts	XX
Less: Investment and other losses	<u>(XX)</u>

TOTAL COLLECTIONS	\$ <u>XXXX</u>
--------------------------	-----------------------

DISPOSITION OF COLLECTIONS

Paid to beneficiaries	\$ XX
Paid for administrative expenses	<u>XX</u>

TOTAL DISPOSITION OF COLLECTIONS	\$ XXX
---	---------------

INCREASE (DECREASE) IN NET ASSETS	\$ XXX
--	---------------

Net Assets, Beginning of Period	\$ XXXX
Increase (Decrease) in Net Assets	<u>XXX</u>
Net Assets, End of Period	<u>\$ XXXX</u>

Alternative View: Reporting Requirements for the Financial Report of the U.S. Government Should be Consistent with Requirements for Component Level Entities

65. The following alternative view was prepared by Board member Robert Dacey.
66. I disagree with the proposal to provide lesser disclosure requirements for the Financial Report of the United States Government (FR) than for its component entities. I believe that the fiduciary activity disclosure requirements for the FR should be the consistent with the requirements for federal component entities.
67. I believe that differences in reporting between the FR and other federal entities should be limited to unique or unusual reporting issues present in the federal reporting environment. I do not believe that the reporting of fiduciary activity is sufficiently unique or unusual for differential treatment. Such information is important and relevant to the FR and can be readily accumulated from agency financial statements and aggregated, as appropriate, in the FR. Fiduciary activity that is individually significant to the FR can be separately reported.
68. Traditionally, other accounting standard setters do not differentiate reporting requirements between consolidated and component entities. Some board members have suggested lesser reporting requirements for the FR to shorten its length and improve its readability. However, there are other means to meet these objectives. For example, several agencies annually publish brief summary annual reports, in addition to their annual financial statements, that are intended for broader distribution and are written to be more understandable to a non-financial user.
69. Statement of Federal Financial Accounting Standards (SFFAS) No. 24 provides that Statements of Federal Financial Accounting Standards apply to all federal entities unless specified by the SFFAS. The SFFASs have differentiated FR reporting from other federal entities in the following areas:
- a) Reporting budgetary information
SFFAS 24 recognized fundamental differences in the nature of financing between the government as a whole and its component entities. SFFAS 24 excluded reporting in the FR of certain information about budgetary resources and about the relationship between budget obligations and the proprietary net cost of operations, which are reported in the Statement of Budgetary Resources and Statement of Financing, respectively. At the same time, SFFAS 24 required financial statements in the FR, not required for component entities, which reconcile the unified budget surplus (or deficit) to net operating revenue (or cost) and to Cash.
- b) Reporting stewardship assets
SFFAS 8 and proposed SFFAS 29 recognize the complexities of aggregating dissimilar information about stewardship assets, including potentially differing measures. To accommodate these complexities, SFFAS 8 delayed implementation in the FR and SFFAS 29 provides for more summary reporting of heritage assets and stewardship land for the FR.

c) Reporting social insurance

SFFAS 17 requires similar reporting of social insurance information in the FR and component entities, but allows for certain social insurance information to be provided in a more aggregated level in the FR.

70. While I agree with these specific differentiated reporting requirements, the exposure draft proposes that the FR not include certain disclosures, required in component entity statements, that I believe to be important and relevant information to the FR. For example, individually significant fiduciary activities would not be required to be disclosed. Rather, the exposure draft requires only reporting at the component federal entity level. At the FR level, three of the most significant fiduciary activities, which are identified in the exposure draft, are the Individual Indian and Tribal Trust Funds (currently reported in the FR) and the Thrift Savings Plan. These significant fiduciary activities would not be required to be separately disclosed in the FR under the exposure draft. Also, information about fiduciary assets and liabilities and fiduciary activity (inflows and outflows), as well as related narrative disclosures, would not be presented in the FR. I believe that disclosure of this information, particularly for these three large fiduciary activities, is relevant and material to the FR and should be disclosed in a manner similar to the reporting requirements for federal component entities. Based on materiality, the information could be aggregated in the FR.
71. Therefore, I believe that the fiduciary activity reporting requirements for the FR should be consistent with the requirements for the Federal component entities.
72. I suggest the following illustration of the schedules of fiduciary net assets and fiduciary activity (discussed in paragraphs 16 b and c of the exposure draft) for the FR:

	Assets Invested in Federal Debt Securities and Cash	Other Assets	Liabilities	Net Assets	Receipts	Disburse- ments	Net Receipts (Disburse- ments)
Thrift Savings Plan	\$ xxxxx	\$ xxxx	\$ x	\$ xxxxxx	\$ xxxx	\$ xx	\$ xx
Department of Interior							
- Individual Indian Trust Funds	x			x	x	x	-
- Tribal Indian Trust Funds	x			x	x	x	-
- Other Funds	x			x	x	x	-
Department of Defense	xx		x	x	xx	xx	-
All Other Departments	x			x	x	x	-
Total	\$ xxxxxxxx	\$ xxx	\$ xx	\$ xxxxxx	\$ xxxx	\$ xx	\$ xx

Appendix B: Glossary

Beneficiary – An individual or other entity legally entitled to enforce an obligation against the United States such as specified benefits from a fiduciary trust or agent fund.

Component Entity – The term “component entity” is used to distinguish between the U.S. Federal Government and its components. The U.S. Federal Government as a whole is composed of organizations that manage resources and are responsible for operations, i.e., delivering services. These include departments and independent agencies, which are generally divided into organizational units with a wide variety of titles, including bureaus, administrations, agencies, and corporations. Use of “component entity” in this standard is only intended to distinguish between the Financial Report of the United States Government’s consolidated financial statements and financial statements of its components. Also see “Entity.”

Deposit Fund – Treasury Financial Management Service establishes deposit fund accounts to record monies that do not belong to the Federal government. A description of deposit fund criteria may be found in the Treasury Financial Manual, Section 1535, “Deposit Fund Accounts.”

Disclosure – Displaying information in notes or narrative regarded as an integral part of the basic financial statements.

Entity – The U.S. Federal Government as a whole and/or units within the Federal Government, such as a department, agency, bureau, or program, for which a set of financial statements would be prepared. Entity also encompasses a group of related or unrelated commercial functions, revolving funds, “trust funds,” and/or other accounts for which financial statements will be prepared in accordance with OMB guidance. Also see “Component Entity.”

Exchange Revenue – Inflows of resources to a Government entity that the entity has earned. They arise from exchange transactions, which occur when each party to the transaction sacrifices value and receives value in return.

Fiduciary – (*noun*) In this standard, a Federal entity that holds assets in trust for non-Federal parties in which the non-Federal parties have an ownership interest that the Federal Government must uphold.

(*adjective*) In this standard, relating to the process of the collection or receipt, and the management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold.

Fiduciary Activity – An activity that relates to the collection or receipt, and the management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold. Non-Federal parties must have an ownership interest in assets held by the Federal entity under provision of law, regulation, or other fiduciary arrangement, usually including an ownership interest in any related income generated. For there to be a fiduciary activity under this standard, there must be a fiduciary relationship based on statutory or other legal authority and evidence that the Government activity is in furtherance of that relationship. The ownership interest must be enforceable against the Federal Government. Judicial remedies must be available for the breach of the fiduciary obligation.

Fiduciary Asset – In this standard, fiduciary assets are assets in which non-Federal parties have an ownership interest and are held by a Federal entity under provision of law, regulation or other fiduciary arrangement.

Fiduciary Collections - Fiduciary collections are an inflow to a Federal entity of cash or other assets in which non-Federal parties have an ownership interest that the Federal Government must uphold.

Fiduciary Fund Balance with Treasury – Cash that is held in the U.S. Treasury and administered by a Federal entity on behalf of fiduciary beneficiaries.

Fiduciary Relationship – A relationship in which an entity or authorized agent of the Government accepts, recognizes, agrees to or consents to undertake fiduciary activity. A fiduciary relationship is based on statutory or other legal authority and evidence that the Government activity is in furtherance of that relationship. A fiduciary relationship may be implied from the actions of Federal parties acting within the scope of their authority.

Forfeited Property – Forfeited property is property for which title has passed to the Government. Forfeited property includes (1) monetary instruments, intangible property, real property, and tangible personal property acquired through forfeiture proceedings; (2) property acquired by the government to satisfy a tax liability; and (3) unclaimed and abandoned merchandise.

Fund – Fund has more than one meaning. Depending on the context it may mean merely a resource as in funds available to pay an obligation. Or, for budgetary accounting, it may mean Federal funds or “trust funds,” the two major groups of funds in the budget.²⁵ The Federal funds include all transactions not classified by law as being in trust funds. The main financing component of the Federal funds group is referred to as the General Fund, which is used to carry out the general purposes of Government rather than being restricted by law to a specific program and consists of all collections not earmarked by law to finance other funds. [Also see the *Budget of the United States Government, FY 2006, Analytical Perspectives, Chapter 22, “Trust Funds and Federal Funds.”*]

A fund can also mean a fiscal and accounting entity with a self-balancing set of accounts recording cash and other assets, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The term “fund” is used in multiple contexts in this standard. For example, the introductory and background material discusses funds in the context of budget accounting. On the other hand, when the standard refers to a fiduciary fund in the illustrations that follow this Glossary, it is in the context a self-balancing set of accounts.

Fund Balance with Treasury – A Federal entity’s fund balance with the Treasury is the aggregate amount of funds in the entity’s accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. Fund balance with Treasury is an intra-governmental item. From the component entity’s perspective, a fund balance with Treasury is an asset because it represents the entity’s claim to the Federal Government’s resources. However, from the perspective of the Federal Government as a whole, it is not an asset; and

²⁵ An explanation of the two major categories of Federal Funds and Trust Funds may be found in Chapter 22, “Trust Funds and Federal Funds,” of *Analytical Perspectives*, Budget of the U.S. Government, Fiscal Year 2006.

while it represents a commitment to make resources available to Federal departments, agencies, programs and other entities, it is not a liability. An entity's fund balance with Treasury is increased by, among other things, amounts collected and credited to a fund that the entity is authorized to spend or use to offset its expenditures. Disbursements made to pay liabilities or to purchase assets, goods, and services, investments in Treasury or other securities, transfers and reimbursements to other entities or to the Treasury, and similar transactions reduce an entity's fund balance with Treasury.

Garnishments - Garnishments are a method of debt collection in which a portion of a person's salary or tax refund is paid to a third party in compliance with a statute or court order.

General Fund – The general fund accounts for receipts not earmarked by law for specific purposes, the proceeds of general borrowing, and the expenditure of these monies. General fund receipts constitute the greater part of the budget, e.g., almost all income tax receipts are general fund receipts. General fund appropriations draw from general fund receipts and borrowing collectively and, therefore, are not linked to specific receipts. [See *The Budget of the United States FY 2006, Analytical Perspectives, Chapter 26, The Budget System and Concepts and Glossary.*]

Heritage Assets – Heritage assets are property, plant and equipment that are unique for one or more of the following reasons:

- Historical or natural significance
- Cultural, educational, or artistic (e.g., aesthetic) importance; or
- Significant architectural characteristics.

Nonexchange Revenue – Nonexchange revenue is an inflow of resources to the Government that the Government demands or that it receives by donations. The inflows that it demands include taxes, duties, fines, and penalties.

Non-Federal Individuals or Entities – Individuals and entities acting in their private capacities outside of the authority and control of the Federal Government. Federal employees are “non-Federal individuals” when acting in their private capacities, e.g., with respect to their private retirement savings managed by the Federal plan.

Non-Federal Parties – See “Non-Federal Individuals and Entities.”

Non-Valued Fiduciary Assets – Fiduciary assets for which required disclosure does not include dollar values. Non-valued fiduciary assets may include fiduciary heritage assets, land held in trust, and non-valued seized property. Fiduciary non-valued assets should be disclosed in accordance with generally accepted accounting principles applicable to the Federal Government.²⁶

Non-Valued Seized property - Non-valued seized property is not subject to valuation because it does not have a legal market in the United States, or does not have a salable value to the Federal Government. Non-valued seized property is addressed in Technical Release 4, *Reporting on Non-Valued Seized and Forfeited Property*.

²⁶ In the future, the Board may require dollar values for certain categories. In the event of such a change in accounting principles, the affected categories would no longer be included in non-valued fiduciary assets.

Other Financing Sources – Inflows of resources that increase net position of a reporting entity during the reporting period but that are not revenues or gains. They include appropriations used, transfers of assets from other Government entities, and financing imputed with respect to any cost subsidies. Financing outflows may result from transfers of the reporting entity's assets to other Government entities or from exchange revenues earned by the entity but required to be transferred to the General Fund or another Government entity. Unexpended appropriations are recognized separately in determining net position but are not financing sources until used.

Ownership Interest– The possession of substantially all of the benefits and risks incident to ownership.

Payroll withholdings – Amounts that are withheld from payment of wages to an employee and subsequently remitted to other payees, such as Federal, State or local governments; or health or life insurance providers, on behalf of the employee.

Revenue – See “Exchange Revenue” and “Nonexchange Revenue.”

Seized Property –Seized property includes monetary instruments, real property and tangible personal property of others in the actual or constructive possession of the custodial agency. When a “central fund” has been created to support the seizure activities of multiple agencies, seized property is accounted for in the financial records of the entity that is operating as the central fund. Seized property is subject to the reporting requirements for fiduciary activities.

Unearned Revenue – Unearned revenue is a liability that represents money (income) received in advance of being earned. Unearned revenue is also a liability if a Federal entity requests advances prior to the receipt of cash and records the amount.²⁷.

²⁷ See SFFAS 1, paragraph 85, SFFAS 7, paragraph 37, and SFFAS 1, paragraph 41.

Appendix C: Examples of Fiduciary Note Disclosure

1. Example of Fiduciary Note Disclosure for Federal Component Entity

The following illustrates the summary financial information required in paragraph 16.

Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold.

Fiduciary cash and other assets are not assets of the Federal Government and accordingly are not recognized on the balance sheet.

[Fiduciary Fund A] was authorized by the [legislation], which authorized [the component entity] to collect [type of collections] on behalf of [beneficiaries]. Other fiduciary activities by [the component entity] include but are not limited to [examples of fiduciary activities included in "other."]

Department XYZ

Schedule of Fiduciary Activity

As of September 30, 2008 and 2007

	2008 Fiduciary Fund A	2008 Other Fiduciary Funds	2008 Total Fiduciary Funds	2007 Fiduciary Fund A	2007 Other Fiduciary Funds	2007 Total Fiduciary Funds
Contributions	\$ 233,450	\$ 116,550	\$ 350,000	\$ 200,000	\$ 125,000	\$ 325,000
Investment earnings	116,725	58,275	175,000	100,000	65,000	165,000
Gain (Loss) on disposition of investments, net	6,670	3,330	10,000	4,000	1,000	5,000
Disbursements to beneficiaries	(300,150)	(149,850)	(450,000)	(200,000)	(150,000)	(350,000)
Increases in fiduciary fund balances	56,695	28,305	85,000	104,000	41,000	145,000
Fiduciary net assets, beginning of year	1,810,905	904,095	2,715,000	1,570,000	1,000,000	2,570,000
Fiduciary net assets, end of year	\$ 1,867,600	\$ 932,400	\$2,800,000	\$1,674,000	\$1,041,000	\$2,715,000

Fiduciary Net Assets

As of September 30, 2008 and 2007

	2008 Fiduciary Fund A	2008 Other Fiduciary Funds	2008 Total Fiduciary Funds	2007 Fiduciary Fund A	2007 Other Fiduciary Funds	2007 Total Fiduciary Funds
FIDUCIARY ASSETS						
Cash and cash equivalents	\$ 566,800	\$ 254,654	\$ 821,454	\$ 250,000	\$ 275,000	\$ 525,000
Investments	1,300,000	677,746	1,977,746	1,424,000	766,000	2,190,000
Other assets *	1,000		1,000			
Less: Accounts Payable	(200)		(200)			
TOTAL FIDUCIARY NET ASSETS	\$ 1,867,600	\$ 932,400	\$ 2,800,000	\$ 1,674,000	\$ 1,041,000	\$ 2,715,000

* **Other Fiduciary Assets:** Note disclosure for Other Fiduciary Assets should include: a description of the composition of non-monetary fiduciary assets; the method(s) of valuation; changes (if any) from prior period accounting methods; and an analysis of changes from prior period. The analysis should include the dollar value and quantity of property on hand at the beginning of the year, received, disposed of, and on hand at the end of the year.

In addition to the fiduciary assets reported above, [the Federal entity] received/disposed of the following non-valued fiduciary assets:²⁸

Changes in Non-Valued Fiduciary Assets

As of September 30, 2008 and 2007

	2008	2007
Seized Property: Illegal Drugs		
Cannabis (kilograms)		
Beginning balance	#	
Quantity seized	###	###
Quantity disposed of	##	##
Net increase/decrease	#	#
Ending balance	##	#
Seized Property: Adrift vessels		
Beginning balance	#	
Quantity seized	##	#
Quantity disposed of	#	
Net increase/decrease	#	#
Ending balance	##	#

²⁸ For additional examples of non-valued fiduciary assets, see the description of non-valued seized assets in FASAB Technical Release 4.

2. Example of Note Disclosure for the Government-wide Financial Report

The following illustrates the summary information required in paragraph 24.

Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold.

Fiduciary cash and other assets are not assets of the Federal Government and accordingly are not recognized on the balance sheet. Examples of the Federal Government's fiduciary activities include the Indian tribal and individual Indian trust funds, which are administered by the Department of the Interior, and the Thrift Savings Fund, which is administered by the Federal Retirement Thrift Investment Board.

The following Federal component entities were responsible for fiduciary net assets at September 30, 2008 and 2007. Detailed information is available in the financial statements of the Federal component entities. The Federal component entity websites are listed on page ## of this document.

Schedule of Fiduciary Net Assets

	FY 2008	FY 2007
Department A	\$ xxxxx	\$ xxxxx
Department B	xxx	xx
Department C	xxxxx	xxxxx
Department D	xxxxxxx	xxxxxxx
All Other	x	x
Total	\$ xxxxxxx	\$ xxxxxxx

Appendix D: Pro Forma Transactions

Note: The following pro forma transactions illustrate how the information for the fiduciary note disclosure can be recorded in a component Federal entity's financial system utilizing the U.S. Government Standard General Ledger.²⁹ The approach illustrated utilizes several general ledger accounts that are linked to a note disclosure and not to line items in the principal financial statements. Component entities are also permitted to utilize a separate financial system for fiduciary activities. Transactions and balances that crosswalk to the fiduciary note disclosure are shaded.

Table of Illustrations

Illustration #1 – Federal component entity receives and holds non-Federal party's cash as Fund Balance with Treasury (FBWT).

Illustration #2 – Federal component entity invests non-Federal party's FBWT in Treasury securities.

2A – Federal entity's purchase of Treasury securities on behalf of non-Federal party

2B – Receipt of appropriation by Bureau of Public Debt to pay interest on non-Federal party's Treasury securities

2C – Treasury Bureau of Public Debt pays interest on Treasury securities

Illustration #3 – Federal component entity invests non-Federal party's cash in non-Treasury securities.

3A – Federal entity purchases non-Treasury securities on behalf of non-Federal party

3B – Receipt of interest earned on non-Federal party's non-Treasury securities

Illustration #4 – Federal component entity disburses interest earned to non-Federal party.

Illustration #5 – Closing entries

Illustration #6 – Effect of pro forma transactions on the Federal Component Entity's Financial Statements.

Illustration #7 – Effect of pro forma transactions on the consolidation worksheet for the U.S. Government-wide financial report.

²⁹ Section 803(a) of the Federal Financial Management Improvement Act of 1996 (P.L. 104-208, Division A, Section 101(f), Title VIII) requires Federal agencies to implement the U.S. Government Standard General Ledger (USSGL) at the transaction level. Information about the USSGL can be found on the website of the Treasury Financial Management Service at www.fms.treas.gov/ussgl.

Illustration #1 – Federal component entity receives and holds non-federal party's cash.

	DR	CR
<u>Federal Component Entity</u>		
Fiduciary Fund Balance with Treasury (FBWT)	1,500	
Fiduciary Collections Received from Beneficiaries		1,500
To record fiduciary cash collected.		

<u>Treasury General Fund Entity</u>		
Treasury's Government-Wide Cash Account	1,500	
Treasury General Fund Liability for Fiduciary FBWT		1,500
To record cash received and held by component entity as Fiduciary FBWT.		

Illustration #2 – Federal component entity invests Fiduciary FBWT in Treasury securities.**2A Federal component entity invests FBWT in Treasury securities**

<u>Federal Component Entity</u>		
Fiduciary Investments in Treasury Securities	1,000	
Fiduciary FBWT		1,000
To record fiduciary Treasury securities purchased.		

<u>Treasury General Fund Entity</u>		
Treasury General Fund Liability for Fiduciary FBWT/Component Entity	1,000	
Treasury General Fund's Liability for FBWT/Treasury Bureau of Public Debt		1,000
To record purchase of Treasury securities.		

<u>Treasury Bureau of Public Debt Entity</u>		
FBWT	1,000	
Liability for Fiduciary Treasury securities		1,000
To record sale of Treasury securities.		

2B Treasury Bureau of Public Debt receives an appropriation to fund interest expense

<u>Treasury General Fund Entity</u>		
Treasury's Government-wide Cash Account	50	
Transfer-In from Federal Reserve		50
Treasury General Fund receives transfer of Federal Reserve earnings		
Appropriation Warrants Issued	50	
Treasury's Liability for FBWT/Bureau of Public Debt		50
Treasury issues appropriation warrant to the Bureau of Public Debt		

Treasury Bureau of Public Debt Entity

FBWT	50	
Appropriations Received ³⁰		50
To record appropriation received.		

2C Treasury Bureau of Public Debt pays interest on Treasury securities.**Treasury Bureau of Public Debt Entity**

Interest expense	50	
FBWT		50
Unexpended Appropriations- Used	50	
Expended Appropriations		50
To record appropriation received and interest expense paid.		

Federal Component Entity

Fiduciary FBWT	50	
 Interest revenue/Fiduciary		50
To record interest received on fiduciary investments.		

Treasury General Fund Entity

Treasury General Fund Liability for FBWT/Treasury Bureau of Public Debt	50	
Liability for Fiduciary FBWT/Component Entity		50
To record payment of interest by Treasury Bureau of Public Debt		

Illustration #3 – Federal component entity invests non-Federal party's assets in non-Treasury securities.**3A Federal component entity purchases non-Treasury securities on behalf of non-Federal party****Federal Component Entity**

Fiduciary Investments in non-Treasury securities	500	
 Fiduciary Fund Balance with Treasury		500

To record securities purchased on behalf of non-federal parties.

Treasury General Fund Entity

Treasury's Liability for Fiduciary FBWT/Component Entity	500	
Treasury's Government-wide Cash Account		500
To record cash withdrawal.		

³⁰ Note: Accounting for appropriations requires additional budgetary entries that are not displayed here. For additional information, refer to the Treasury Financial Manual Standard General Ledger Supplement at www.fms.treas.gov/usagl.

3B Interest is received on non-Treasury securities and held as FBWT**Federal Component Entity**

Fiduciary FBWT	10	
Interest Revenue/Fiduciary		10

To record interest received on fiduciary investments held outside of the U.S. Treasury.

Treasury General Fund Entity

Treasury Government-wide cash account	10	
Treasury General Fund Liability for Fiduciary FBWT/Component Entity		10

To record cash received and deposited as fiduciary FBWT.

Illustration #4 – Federal entity disburses interest earned to non-Federal beneficiaries**4. Disbursement to beneficiaries of interest earned.****Federal Component Entity**

Fiduciary Disbursements to Beneficiaries	50	
Fiduciary FBWT		50

Payment made to beneficiaries.

Treasury General Fund Entity

Treasury General Fund Liability for Fiduciary FBWT/Component Entity	50	
Treasury's Government-wide Cash Account		50

To record cash withdrawal.

Illustration #5 – Closing Entries for Pro Forma Transactions Illustrated**Pre-closing trial balances after pro forma transactions:**

	Component Entity	Treasury GF	Treasury BPD
<u>Assets</u>			
Fiduciary FBWT	10		
FBWT (Non-Fiduciary)			1,000
Government-wide Cash		1,010	
Fiduciary Investments in Treasury Securities	1,000		
Fiduciary Investments in non-Treasury Securities	500		
<u>Liabilities</u>			
Liability for Fiduciary FBWT		(10)	
Liability for FBWT		(1,000)	
Liability for Fiduciary Investments in Treasury Securities			(1,000)
<u>Net Position</u>			
Fiduciary Net Assets			
Unexpended Appropriations- Appropriations Received			(50)
Unexpended Appropriations- Used			50
<u>Revenues and Other Financing Sources</u>			
Fiduciary Collections- Contributions from Beneficiaries	(1,500)		
Interest Revenue/Fiduciary	(60)		
Transfer-In from Federal Reserve		(50)	
Expended Appropriations			(50)
<u>Expenses and Miscellaneous Items</u>			
Interest Expense			50
Fiduciary Disbursements to Beneficiaries	50		
Appropriation Warrants Issued		50	
Totals	0	0	0

Closing entries:

<u>Federal Component Entity</u>		
Fiduciary Collections- Contributions from Beneficiaries	1,500	
Interest Revenue/Non-Federal/Non-Entity	60	
Fiduciary Disbursements to Beneficiaries		50
Fiduciary Net Assets		1,510

<u>Treasury Bureau of Public Debt Entity</u>		
Cumulative Results of Operations	50	
Interest Expense		50
Unexpended Appropriations- Received	50	
Unexpended Appropriations- Cumulative		50
Unexpended Appropriations- Cumulative	50	
Unexpended Appropriations- Used		50
Expended Appropriations	50	
Cumulative Results of Operations		50

<u>Treasury General Fund Entity</u>		
Cumulative Results of Operations	50	
Appropriation Warrants Issued		50
Transfer-In of Federal Reserve Revenue	50	
Cumulative Results of Operations		50

Post-closing trial balances after pro forma transactions:

	Component Entity	Treasury GF	Treasury BPD
<u>Assets</u>			
Fiduciary FBWT	10		
FBWT (Non-Fiduciary)			1,000
Government-wide Cash		1,010	
Fiduciary Investments in Treasury Securities	1,000		
Fiduciary Investments in non-Treasury Securities	500		
<u>Liabilities</u>			
Liability for Fiduciary FBWT		(10)	
Liability for FBWT		(1000)	
Liability for Fiduciary Investments in Treasury Securities			(1,000)
<u>Net Position</u>			
Fiduciary Net Assets	(1510)		
Totals	0	0	0

Illustration #6 – Illustration of Federal Component Entity Note Disclosure of Pro Forma Transactions

FEDERAL COMPONENT ENTITY SCHEDULE OF FIDUCIARY ACTIVITY FOR THE PERIOD ENDED SEPTEMBER 30, 20xx			FY 20x2	FY 20x1
Contributions from Beneficiaries			1,500	-
Interest on investments			60	-
Disbursements to Beneficiaries			(50)	-
Increase in Fiduciary Assets			1,510	-
Fiduciary Net Assets, Beginning of Year			-	-
Increase in Fiduciary Assets			1,510	-
Fiduciary Net Assets, End of Year			1,510	-
FIDUCIARY NET ASSETS AS OF SEPTEMBER 30, 20xx				
			FY 20x2	FY 20x1
Cash and Cash Equivalents	\$	10	\$	-
Investments in Treasury Securities		1,000		-
Other Investments		500		-
Total Net Assets	\$	1,510		-

NOTE: The illustration above displays only the impact of the pro forma transactions upon the fiduciary note disclosure. See Appendix C for a more detailed illustration of the fiduciary note disclosure.

Illustration #7 – Effect of Pro Forma Transactions upon Elimination Worksheet for Government-wide reporting

IMPACT ON GOVERNMENT-WIDE ELIMINATION WORKSHEET	Federal Component Entity Note Disclosure	Treasury Bureau of Public Debt	Treasury General Fund	Eliminations	Government-wide Balance Sheet	Government-wide Note Disclosure
ASSETS						
<u>Fiduciary</u> Fund Balance with Treasury	\$ 10	\$ -	\$ -	\$ -	\$ -	\$ 10
Fund Balance with Treasury	-	1,000	-	(1,000)		-
Fiduciary Investments in Treasury Securities	1,000	-	-	-		1,000
Fiduciary Investments in non-Treasury securities	500	-	-	-		500
Treasury's Government-wide cash account	-	-	1,010	-	1,010	
Total assets	\$ 1,510	\$ 1,000	\$ 1,010	\$ (1,000)	\$ 1,010	\$ 1,510*
LIABILITIES						
Treasury's Liability for <u>Fiduciary</u> FBWT	\$ -	\$ -	\$ 10	\$ -	\$ 10	\$ -
Treasury's Liability for FBWT	-	-	1,000	(1,000)		
Treasury BPD Liability for <u>Fiduciary</u> Investments	-	1,000	-	-	1,000	
NET POSITION						
Fiduciary net assets	\$ 1,510	\$	-	-		1,510
Total liabilities and net position	\$ 1,510	\$ 1,000	\$ 1,010	\$ (1,000)	\$ 1,010	\$ 1,510 *

*** Note:**

- The Federal Component Entity's fiduciary assets, liabilities and net assets (shaded and in italics in the above table) are reported in the fiduciary note disclosure only, and not recognized on the face of the Component Entity's balance sheet or on the Government-wide balance sheet.
- Treasury General Fund liability for fiduciary FBWT is not eliminated.
- Treasury BPD liability for fiduciary securities is not eliminated.
- Note disclosure of fiduciary funds is required at the FR level.

The illustration above displays only the impact of the pro forma transactions upon the eliminations for Government-wide reporting. See Appendix C for an illustration of the fiduciary note disclosure.

Appendix E: List of Abbreviations

FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FR	Financial Report of the U.S. Government
FY	Fiscal Year
GAO	Government Accountability Office
OMB	Office of Management and Budget
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards
Treasury BPD	Treasury Bureau of Public Debt
Treasury FMS	Treasury Financial Management Service
U.S.	United States
USSGL	U.S. Government Standard General Ledger

FASAB Board Members

David Mosso, Chairman

Joseph V. Anania, Sr.
Philip T. Calder (through July 28, 2004)
Claire Gorham Cohen
Robert L. Dacey (from July 28, 2004)
John A. Farrell
James M. Patton
Robert N. Reid
Elizabeth M. Robinson
Alan H. Schumacher
David M. Zavada

FASAB Staff

Wendy M. Comes, Executive Director

Project Staff:
Richard Fontenrose (through March 4, 2004)
Eileen Parlow (from March 4, 2004)

Federal Accounting Standards Advisory Board

441 G Street NW
Suite 6814
Mailstop 6K17V
Washington, DC 20548

Telephone (202) 512-7350
FAX (202) 512-7366
www.fasab.gov
